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Many advisors still wary nearly a year after spot bitcoin ETFs approved
By Rob Burgess
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We're approaching the one-year mark since the SEC approved the first spot bitcoin exchange-traded funds back in January.

In July, regulators approved the first U.S. exchange-traded funds investing directly in ether, the world's second-largest cryptocurrency.

And while these approvals generated a flood of initial interest, financial advisors say broad adoption of these digital assets in portfolios will take some time.

Bitcoin enthusiasm
Jirayr Kembikian, co-founder and managing director of Citrine Capital in San Francisco, said over the years, some of the firm's clients already owned bitcoin when they began working with them.

"After being open-minded and dedicating significant time to research, we recognized bitcoin as one of the most exciting, unique and revolutionary assets we've seen," he said. "We believe it is our fiduciary duty to thoroughly understand new asset classes like bitcoin, ensuring we can make informed decisions about where they are appropriate."

Since 2020, Kembikian said the firm has been offering spot bitcoin exposure for clients.

"More recently, we've started to receive positive feedback from clients, thanking us for proactively embracing this emerging opportunity," he said.

Jen Swindler, founder of Money Illustrated in Bluffdale, Utah, said she strongly recommends her clients own their cryptocurrency directly, preferably held on a hardware wallet.

"So many of the benefits of owning crypto are lost when not owned in this format, and there are additional risks for holding crypto on exchanges," she said. "I believe direct ownership is in clients' best interest over all other options listed."

When it makes sense for someone, potentially for tax purposes, Swindler said they may choose to have a spot bitcoin ETF in an investment account.

"There are also cases where clients don't want to bother with hardware wallets, but I will then suggest a software wallet. If they still don't want to go that route, owning the spot ETFs within their managed accounts is the next best option,"

she said.

Crypto skepticism

Vincent D'Eletto, chief operating officer at Investment Insight Wealth Management in South Farmingdale, New York, said while he is heavily investing in cryptocurrency and NFT assets himself, his firm's client base is on the older side of the spectrum.

"We haven't had too many requests for digital assets being added to the portfolio," he said. "I don't think it's a lack of interest, it's just not something our client list is exposed to often. We don't proactively offer digital assets, yet. But, I see that becoming something we eventually offer as an option in the not-so-distant future."

D'Eletto said the introduction of the spot ETFs hasn't affected his practice yet.

"My general opinion is that we need to go through one to two more bitcoin market cycles for 'Main Street' to have enough knowledge of the asset class to begin actively seeking exposure," he said. "I believe we may see that process accelerated with a Trump presidency, or slowed by a stronger-than-anticipated recession."

Jason Gilbert, founder and managing partner at RGA Investment Advisors in Great Neck, New York, said digital assets have been a topic of conversation with some clients, "though we do not currently invest in them on their behalf."

"Our firm focuses on earnings-producing assets, as our core competency lies in valuing tangible assets where we can apply rigorous financial models," he said. "That said, we believe it's crucial to keep clients informed about emerging asset classes like cryptocurrencies, and we provide educational guidance on the risks and opportunities they present."

Gilbert said his firm typically categorizes digital assets, such as bitcoin and other cryptocurrencies, under speculative investments.

"While we don't proactively offer digital asset solutions, we recognize the growing interest, especially with the introduction of Spot bitcoin and ethereum ETFs and digital asset SMA platforms," he said. "These products offer new ways to access this space, but we remain cautious, given the complexities and volatility. Ultimately, our goal is to empower clients with the knowledge they need to make informed decisions. If they choose to make incremental investments in digital assets outside of our advisory services, we ensure they are fully aware of both the potential and the risks."

Stephan Shipe, founder and CEO of Scholar Financial Advising in Concord, North Carolina, said he has seen a growing interest from clients in digital assets, particularly with the introduction of spot bitcoin and ethereum ETFs and digital asset SMAs.

"While some clients proactively ask about incorporating these assets, I approach them cautiously, ensuring they align with overall portfolio goals and risk tolerance especially since their relationship and correlation to traditional asset classes is still unknown," he said.

Competition from direct-to-consumer services

Swindler said she doesn't worry about losing clients to direct-to-consumer services like Coinbase and Robinhood, "because I'm advising them on their full investment portfolio, including their crypto holdings."

"I'm not requiring them to invest all the assets with me," she said.

Shipe said he also doesn't fear direct-to-consumer platforms, as "these apps often lack personalized and tailored advice, which I believe is critical when considering the addition of these assets to a portfolio."

Nick Rygiel, owner of Ironclad Financial in Radnor, Pennsylvania, said he proactively offers digital assets to clients that either have existing positions in bitcoin, etherium and solana held on an exchange like Coinbase. He said the clients he offers this may also have an "appropriate risk tolerance, risk capacity and investment mindset where an allocation of digital assets would fit with their overall investment goals and asset allocation such as gaining access to growth and yield strategies that are not available on Coinbase or Robinhood directly."

D'Eletto said many of the consumers he has come across that are interested in using those apps are also seeking guidance.

"They know it's new, 'cool' and potentially lucrative, but they need practical help getting started," he said. "As with many areas of life, just because someone can do something on their own does not mean they won't seek someone else to do it for them."